Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 03619 01 OF 02 141036Z
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 SSO-00 NSCE-00 INRE-00 CAB-02
CIAE-00 COME-00 DODE-00 DOTE-00 INR-10 NSAE-00
FAA-00 L-03 SS-15 TRSE-00 OMB-01 H-01 /051 W
----------009730 141046Z /10
O 140940Z APR 78
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC IMMEDIATE 9188
INFO AMCONSUL BUKAVU POUCH
AMCONSUL LUBUMBASHI

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 3619

E.O. 11652: GDS
TAGS: EAIR, CG, US
SUBJECT: PAN AM'S ZAIRIAN OPERATIONS

1. SUMMARY: PAN AM'S EFFORTS TO OBTAIN GOZ COMMITMENT TO ELIMINATE ARREARAGES HAVE BEEN UNSUCCESSFUL. GOZ HAS ONLY PROMISED TO MAKE MONTHLY FOREIGN EXCHANGE (FX) ALLOCATION OF $115,000 AND STATED THAT ADDITIONAL AMOUNTS SHOULD BE OBTAINED FROM PRIVATE BANKS. PAN AM'S EFFORTS TO OBTAIN COMMITMENTS FROM PRIVATE BANKS SO FAR HAVE BEEN UNSUCCESSFUL. PAN AM DIRECTOR-INTERNATIONAL FINANCE MERKLE TOLD US SHE IS REASONABLY CERTAIN THAT PAN AM WILL DECIDE TO TERMINATE KINSHASA SERVICE UNLESS PAN AM OBTAINS COMMITMENTS FOR ADDITIONAL FX ALLOCATION. WE BELIEVE FINAL DECISION RE FX ALLOCATION WILL BE MADE BY PRESIDENT MOBUTU HIMSELF AND WILL BE GREATLY INFLUENCED BY POSSIBILITY OF PAN AM'S WITHDRAWAL. ALTHOUGH IT IS FAR FROM CERTAIN THAT MOBUTU WILL INCREASE FX ALLOCATION, WE HAVE IN-FORMALLY ADVISED PAN AM TO SEND MOBUTU A LETTER PRIOR TO TERMI-NATION OF SERVICE STATING THAT SERVICE WILL BE ENDED AS OF SPECIFIED DATE UNLESS SPECIFIED MINIMUM CONDITIONS ARE MET, THUS GIVING MOBUTU OPPORTUNITY TO REACT. WE SUGGEST THAT DEPARTMENT DISCUSS WITH SENIOR PAN AM OFFICIALS POSSIBLE RAMIFICATIONS OF DECISION TO TERMINATE KINSHASA STOP.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 03619 01 OF 02 141036Z

END SUMMARY.

2. DURING PAST SEVERAL WEEKS AMBASSADOR AND ECON COUNSELOR HAVE HAD NUMEROUS MEETINGS WITH PAN AM NEW YORK REPS REDPATH AND GATT AND, MOST RECENTLY, WITH MRS. MERKLE. AMBASSADOR ASSISTED IN OBTAINING APPOINTMENT FOR GATT WITH PRESIDENT MOBUTU, DURING WHICH WE UNDERSTAND GATT RAISED PAN AM'S PROBLEMS BUT DID NOT

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

MAKE SPECIFIC STATEMENT THAT PAN AM WOULD TERMINATE SERVICE IF FINANCIAL PROBLEMS WERE NOT RESOLVED. LIKEWISE, WE UNDERSTAND THAT PAN AM REPS HAVE NOT MADE SUCH SPECIFIC STATEMENTS DURING THEIR MEETINGS WITH CENTRAL BANK OFFICIALS.

3. AMBASSADOR HAS TWICE DISCUSSED PAN AM'S PROBLEMS WITH CENTRAL BANK GOVERNOR BOFOSSA IN RECENT DAYS AND ARRANGED MEETING FOR MRS. MERKLE WITH CENTRAL BANK DIRECTOR OF FOREIGN EXCHANGE ALLOCATIONS. LATTER TOLD MERKLE THAT CENTRAL BANK COULD MAKE NO PROMISE TO LIQUIDATE ARREARAGES AT THIS TIME. HE STATED THAT BEST CENTRAL BANK CAN DO IS TO CONTINUE MONTHLY ALLOCATIONS OF $115,000, WHICH HE PROMISED WOULD BE MADE ON SCHEDULE. CENTRAL BANK OFFICIAL ADDED THAT PAN AM MUST OBTAIN ADDITONAL FOREIGN EXCHANGE FROM COMMERCIAL BANKS.

4. APRIL MRS. MERKLE TOLD US THAT EFFORTS TO OBTAIN FX ALLOCATION FROM COMMERCIAL BANKS IN ZAIRE WERE UNSUCCESSFUL. SHE INTENDS TO PURSUE THIS WITH CITIBANK NEW YORK HEADQUARTERS BUT WAS NOT HOPEFUL OF SUCCESS.

5. WE HAVE HAD SOMEWHAT DIFFERENT IMPRESSIONS FROM VISITING PAN AM REPS AS TO WHETHER OR NOT PAN AM WILL TERMINATE KINSHASA SERVICE IF AGREEMENT IS NOT REACHED CONCERNING LIQUIDATION OF OUTSTANDING ARREARAGES. GATT WAS SOMEWHAT VAGUE ON THIS POINT, BUT MRS. MERKLE STATED THAT SHE IS REASONABLY SURE THAT $115,000 ALLOCATION IS NOT SUFFICIENT AND THAT PAN AM NEW YORK WILL
CONFIDENTIAL

CONFIDENTIAL

DECIDE TO TERMINATE ZAIRIAN SERVICE.

6. WE HAVE TOLD PAN AM REPS THAT THEY SHOULD TAKE INTO CONSIDERATION POSSIBILITY OF IMPROVED FX SITUATION IN ZAIRE IN RELATIVELY NEAR FUTURE AND PROSPECTS FOR GENERALLY IMPROVED ECONOMIC CONDITIONS IN LONGER RUN ASSUMING CONTEMPLATED GOZ SELF-HELP MEASURES ARE IN FACT IMPLEMENTED. FURTHERMORE, WE HAVE STRESSED THAT GOZ REGARDS PAN AM'S AIRLINE SERVICE AND ITS OWNERSHIP IN THE PROFITABLE INTERCONTINENTAL HOTEL AS A SINGLE INTEREST. THUS, THERE IS POSSIBILITY THAT INTERCONTINENTAL OPERATIONS MIGHT BE ADVERSELY AFFECTED BY A DECISION TO TERMINATE PAN AM'S AIR SERVICE TO ZAIRE. WE HAVE ALSO POINTED OUT TO PAN AM REPS THAT TERMINATION OF SERVICE MIGHT ADVERSELY AFFECT THEIR CHANCES OF COLLECTING OUTSTANDING ARREARAGES.

CONFIDENTIAL

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

CONFIDENTIAL

PAGE 01 KINSHA 03619 02 OF 02 141041Z
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 SSO-00 NSCE-00 INRE-00 CAB-02
CIAE-00 COME-00 DODE-00 DOTE-00 INR-10 NSAE-00
FAA-00 L-03 SS-15 TRSE-00 OMB-01 H-01 /051 W
----------009836 141045Z /10
O 140940Z APR 78
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 9189
INFO AMCONSUL BUKAVU POUCH
AMCONSUL LUBUMBASHI

C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 3619

7. FINALLY, WE HAVE STRESSED TO PAN AM REPS THAT, BEFORE THEY DECIDE TO TERMINATE ZAIRIAN SERVICE, PAN AM'S CHAIRMAN SHOULD SEND LETTER TO GOZ MINISTRY OF TRANSPORT STATING THAT PAN AM WILL CEASE OPERATIONS AS OF A SPECIFIED DATE UNLESS CERTAIN SPECIFIED MINIMUM CONDITIONS ARE MET BY GOZ. LETTER SHOULD GIVE SUFFICIENT TIME (WE REGARD 30 DAYS AS MINIMUM) FOR GOZ TO ATTEMPT TO MEET MINIMUM CONDITIONS. WE POINTED OUT THAT ULTIMATE DECISION AS TO WHETHER OR NOT GOZ WILL MEET PAN AM'S MINIMUM DEMANDS WILL PROBABLY BE MADE BY PRESIDENT MOBUTU HIMSELF.

8. MRS. MERKLE STATED THAT SHE AGREED WITH EMBASSY'S ADVICE RE LETTER AND WAS CONFIDENT THAT OUR SUGGESTION WOULD BE ACCEPTED BY PAN AM MANAGEMENT. WE ASSURED HER THAT THE AMBASSADOR WILL SEE THAT A COPY IS GIVEN PROMPTLY TO PRESIDENT MOBUTU TO GIVE HIM SUFFICIENT TIME TO REACT.

9. COMMENT: WE HAVE DONE OUR BEST, AND WILL CONTINUE TO DO EVERYTHING POSSIBLE, TO ENSURE THAT GOZ OFFICIALS ARE AWARE OF PAN AM'S FINANCIAL DIFFICULTIES. HOWEVER, IN VIEW OF NUMEROUS PRESSING DEMANDS FOR ZAIRE'S SCARCE FX (FOR EXAMPLE, SABENA'S ARREARAGES ARE ALMOST $50 MILLION), WE ARE NOT CONFIDENT THAT GOZ WILL MAKE A GREATER FX ALLOCATION TO PAN AM IN NEAR FUTURE. HOWEVER, FOR POLITICAL REASONS PRESIDENT MOBUTU MAY DECIDE TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 03619 02 OF 02 141041Z

INCREASE THE ALLOCATION IF PAN AM MAKES CLEAR IT WILL OTHERWISE HAVE TO TERMINATE ITS SERVICE. IT IS ALSO QUITE POSSIBLE THAT MOBUTU WILL NOT INCREASE PAN AM'S ALLOCATION AND WILL BE PREPARED TO HAVE PAN AM TERMINATE ITS SERVICE. THEREFORE, IN MAKING ITS DECISION AS TO WHETHER OR NOT TO TERMINATE SERVICE, PAN AM SHOULD CAREFULLY CONSIDER ALL RELEVANT FACTORS WHICH INCLUDE: (A) PROBABILITY OF EVEN GREATER DIFFICULTIES IN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

REPATRIATING OUTSTANDING ARREARAGES IF SERVICE IS TERMINATED, (B) POSSIBLE ADVERSE EFFECT UPON PROFITABLE INTERCONTINENTAL HOTEL OPERATIONS, (C) RELATIVELY GOOD PROSPECTS FOR IMPROVED FX SITUATION IN NOT TOO DISTANT FUTURE AND UPTURN OF ECONOMY AS A WHOLE IN LONGER TURN, AND (D) DIFFICULTY OF RE-ENTERING ZAIRIAN MARKET ONCE HAVING WITHDRAWN. WE SUGGEST THAT DEPARTMENT REP DISCUSS THESE CONSIDERATIONS WITH SENIOR PAN AM OFFICIALS. FINALLY, WE NOTE POSSIBLE ADVERSE EFFECT UPON US/GOZ RELATIONS SHOULD PAN AM WITHDRAW FROM ZAIRE. ALTHOUGH PAN IS A PRIVATE COMPANY, MOBUTU IS LIKELY TO REGARD PAN AM'S WITHDRAWAL AS ONE MORE INDICATION OF LESSENED U.S. OFFICIAL INTEREST IN ZAIRE.
CUTLER

CONFIDENTIAL

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT DEBTS, AIRLINES, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINSHA03619
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780160-0739
Format: TEL
From: KINSHASA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780458/aaaabwrf.tel
Line Count: 183
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7250a1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2970143
Secure: OPEN
Status: NATIVE
Subject: PAN AM\'S ZAIRIAN OPERATIONS
TAGS: EAIR, CG, US, PANAM
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7250a1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014